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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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AZ CORP COMMISSION
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02467A-09-0333

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF FINANCINGS.

DOCKET NO. W-02467A-09-0334

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR AUTHORITY TO INCUR LONG-TERM
DEBT.

DOCKET NO. W-02467A-10-0483

PROCEDURAL ORDER

BY THE COMMISSION:

In Decision No. 71869 (September 1, 2010), issued in Docket Nos. W-02467A-09-0333 and W-02467A-09-0334 ("rate case docket"), the Commission approved a rate increase for Granite Mountain Water Company ("GMWC") and, *inter alia*, required GMWC to address its inadequate storage capacity issue by completing either of two options within 18 months after the effective date of the Decision (by March 1, 2012): (1) drilling a replacement well to replace its existing Well No. 5 (Arizona Department of Water Resources ("ADWR") # 55-622083), or (2) constructing and installing a 110,000-gallon storage tank. The Commission additionally imposed requirements for GMWC to file, for either option, an Arizona Department of Environmental Quality ("ADEQ") Approval to Construct ("ATC") by March 1, 2011, and an ADEQ Approval of Construction ("AOC") by March 1, 2012. The Commission also required GMWC to file a permanent rate case application by September 1, 2012.

Subsequently, in Decision No. 72294 (May 4, 2011), issued in the rate case docket in response to a GMWC request for an extension of time to complete a replacement well, the Commission extended by six months GMWC's deadline to address the inadequate storage capacity issue and each related filing deadline, thus making the ATC filing due by September 1, 2011; the

1 AOC filing due by September 1, 2012; and completion of the replacement well or storage tank due by
2 September 1, 2012.

3 In Decision No. 72377 (May 27, 2011), issued in Docket No. W-02467A-10-0483 (“financing
4 docket”), the Commission authorized GMWC to incur long-term debt, in the form of one or more 18-
5 to 22-year amortizing loans, in a total amount not to exceed \$181,320, pursuant to loan agreement/s
6 with the Water Infrastructure Finance Authority (“WIFA”) and/or National Bank of Arizona, at an
7 interest rate not to exceed the prime rate plus three percent. The Decision provided that the long-term
8 debt was authorized to finance water system improvements, including a replacement well for Well
9 No. 5 and a new 50,000-gallon water storage Tank No. 3. The Decision provided that any unused
10 authorization to incur such long-term debt would terminate on December 31, 2012, and required
11 GMWC to make a number of compliance filings, including copies of an ATC for the proposed well
12 by September 1, 2011; copies of an ATC for the storage tank by March 1, 2012; copies of an AOC
13 for the proposed well by September 1, 2012; and copies of an AOC for the storage tank by March 1,
14 2013.

15 In Decision No. 73155 (May 18, 2012), issued in the rate case docket in response to a GMWC
16 request for its permanent rate case application deadline to be aligned with the ratemaking schedule
17 established in a separate decision for its sister company, Chino Meadows II Water Company, the
18 Commission granted GMWC an extension of time, until September 30, 2013, to file its next
19 permanent rate case application, using a test year ending no earlier than March 31, 2013.

20 On July 19, 2012, in the rate case docket, GMWC filed a document requesting that it be
21 granted a 90-day extension of time (until December 1, 2012) to resolve its inadequate storage
22 capacity issue. In addition, GMWC requested permission to resolve the issue without using Well No.
23 5. GMWC proposed instead to have GMWC’s owner (Mr. Paul D. Levie) purchase a one-acre lot
24 (Parcel 102-09-008D) adjacent to GMWC’s existing water system, upon which a domestic well
25 (ADWR #55-210719) already exists, and then to have Mr. Levie sell the domestic well to GMWC
26 and grant GMWC public utility easements. GMWC would then petition ADWR to convert the
27 domestic well to a production well (“Well No. 6”). GMWC asserted that Well No. 6’s proximity to
28 GMWC’s water main would result in significant savings to GMWC and its customers. GMWC

1 stated that the 90-day extension would allow time for the purchase and for GMWC to obtain required
2 approvals from ADWR and ADEQ. GMWC also stated that it had been unable to obtain financing
3 for its original plan to replace Well No. 5 and install a new 50,000-gallon storage tank.

4 The Commission did not take action in response to GMWC's July 19, 2012, request.

5 On October 22, 2012, GMWC filed, in both the rate case docket and the financing docket, a
6 Request to Modify Decision, in which GMWC requested that both Decision No. 72294 and Decision
7 No. 72377 be modified. Specifically, GMWC requested that Decision No. 72294 be modified as
8 follows (proposed language displayed in bold italics):

Requirement in Decision No. 71869	Current Deadline	Extended Deadline
Complete one of the following to address its inadequate storage capacity issue: (a) Drill a replacement well to replace its existing Well No. 5 (ADWR #55-622083), or (b) Construct and install a 110,000-gallon storage tank, or (c) Add a new production well	March 1, 2012	September 1, 2012 June 1, 2014
If addressing the inadequate storage capacity issue by drilling a replacement well or adding a new production well , file with the Commission's Docket Control, as a compliance item in this docket, copies of the Approval to Construct for the replacement well or the new production well	March 1, 2011	September 1, 2011 June 1, 2013
If addressing the inadequate storage capacity issue by drilling a replacement well or adding a new production well , file with the Commission's Docket Control, as a compliance item in this docket, copies of the Approval of Construction for the replacement well or the new production well	March 1, 2012	September 1, 2012 June 1, 2014

21 Additionally, GMWC stated that WIFA had extended the time of loan resolution to August
22 17, 2013, to allow for modification of the scope of the project with Commission approval. GMWC
23 also stated that it had learned that the cost of the projects for which financing had been approved in
24 Decision No. 72377 would be 25 percent higher than GMWC had believed due to WIFA's
25 requirement for "Davis-Bacon" Act compliance. GMWC stated that the revised estimate for the
26 projects for which the WIFA financing had been authorized was \$240,808.

27 GMWC further stated that the cost estimate for the newly proposed projects, to include
28

1 acquiring the domestic well and converting it to a production well as well as purchasing and
2 installing a prefabricated water storage tank, was \$196,032. GMWC requested that the Commission
3 modify Decision No. 72377 to allow for the newly proposed projects; to authorize an amount of long-
4 term debt not to exceed \$196,032; to have any unused authorization to incur long-term debt terminate
5 no earlier than June 1, 2014; and to have the compliance item deadlines listed in Decision No. 72377
6 extended consistent with the Commission's ruling on its request as to Decision No. 72294.

7 At the Open Meeting of November 8, 2012, the Commission considered GMWC's request for
8 modification of Decision No. 72294 and Decision No. 72377, pursuant to A.R.S. § 40-252; passed a
9 motion to open an A.R.S. § 40-252 proceeding; and directed Staff to prepare a Staff Report.

10 On November 26, 2012, GMWC made a filing in both the rate case docket and the financing
11 docket to notify the Commission that its mailing address had changed to a Post Office Box in Chino
12 Valley.

13 On January 10, 2013, in both the rate case docket and the financing docket, Staff filed a Staff
14 Report recommending, *inter alia*, that GMWC be authorized to incur long-term debt in the form of an
15 18- to 22-year amortizing WIFA loan in an amount not to exceed \$158,000 at an interest rate not to
16 exceed 5.00 percent, for the purpose of purchasing an existing well or drilling a new well with a
17 minimum 100 gallon per minute ("GPM") capacity, installing a new storage tank with a minimum
18 100,000-gallon capacity, or providing any combination of production and storage capacity providing
19 the minimum capacity needed. Staff further recommended that the filing deadline for the AOC for
20 the option selected be extended to December 31, 2013; that any unused debt authorization expire on
21 the same date; that GMWC be directed to provide notice to its customers of the modifications sought
22 and file proof of such notice; and that GMWC be required to set aside \$9 of each customer bill in a
23 separate interest-bearing account, with the funds to be used only to pay WIFA. Per its service list, the
24 Staff Report was sent to the wrong mailing address for GMWC.

25 On January 18, 2013, GMWC filed, in both the rate case docket and the financing docket, a
26 document requesting an extension of time to respond to the Staff Report, which had not been received
27 until January 16, 2013, due to the mailing address used. GMWC appeared erroneously to believe that
28 the Staff Report would be considered at an Open Meeting on January 22, 2013.

1 On January 29, 2013, GMWC filed its response to the Staff Report, in both the rate case
2 docket and the financing docket. GMWC asserted therein that because WIFA had extended its
3 original Loan Resolution 2012-002 to August 15, 2013, the higher current WIFA Debt Service
4 Coverage ("DSC") ratio of 1.50 should not be applicable; that GMWC would "concede its request" to
5 increase its long-term debt authorization to \$196,032 and instead request that the Commission extend
6 the expiration dates of Decision No. 72377; that the Commission approve its proposed extension
7 dates rather than the shorter extension dates recommended by Staff; and (essentially) that the
8 Commission determine that increasing GMWC's storage capacity by 50,000 gallons and its water
9 production by 35 GPM are sufficient to meet water supply needs. GMWC also stated that it intends
10 to apply for an extension of its Certificate of Convenience and Necessity ("CC&N") in the future to
11 include Equestrian Estates within its service area.

12 Because the requests made by GMWC in the rate case docket and the financing docket are
13 inextricably intertwined, it is reasonable and appropriate at this time to consolidate these dockets
14 going forward, so that the Commission may resolve all of GMWC's requests for modification in one
15 matter.

16 Furthermore, because GMWC has now provided information that apparently was not
17 available to Staff when the Staff Report was prepared, and GMWC also appears to have amended its
18 requested modifications of Decision No. 72377 and Decision No. 72294, it is necessary and
19 appropriate to require Staff to prepare and file a Supplemental Staff Report addressing GMWC's
20 response, amending Staff's recommendations if appropriate, and making a recommendation
21 concerning whether customer notice should be required and whether an evidentiary hearing should be
22 required. If Staff recommends that customer notice should be provided, Staff shall also recommend
23 the minimum contents of such notice and the manner in which the notice should be provided.

24 In addition, because it appears that GMWC has changed its legal representation for the rate
25 case docket, although there has been no request for withdrawal or substitution of counsel as to the
26 rate case docket, it is necessary and appropriate to require GMWC to ensure that a request for
27 withdrawal and substitution of counsel is made pursuant to A.A.C. R14-3-104 and Arizona Rule of
28

Civil Procedure 5.1.¹

Further, it is reasonable and appropriate to require GMWC to file a response to the Supplemental Staff Report.

IT IS THEREFORE ORDERED that **Docket Nos. W-02467A-09-033 et al. and Docket No. W-02467A-10-0483** are hereby **consolidated**.

IT IS FURTHER ORDERED that **GMWC shall ensure** that a formal **request for withdrawal and substitution of counsel** as to the rate case docket, made pursuant to A.A.C. R14-3-104 and Arizona Rule of Civil Procedure 5.1, is filed with the Commission by **March 5, 2013**.

IT IS FURTHER ORDERED that **Staff** shall, by **March 11, 2013**, file a **Supplemental Staff Report** that shall: (1) address GMWC's response to the original Staff Report; (2) if appropriate, amend the recommendations made by Staff in the original Staff Report; (3) make a recommendation concerning whether customer notice should be required; (4) if customer notice is recommended, provide recommendations as to the minimum contents of such notice and the manner in which the notice should be provided; and (5) make a recommendation regarding whether an evidentiary hearing should be required.

IT IS FURTHER ORDERED that **GMWC** shall, by **April 1, 2013**, file a **response** to the Supplemental Staff Report.

IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 5th day of February, 2013.


SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

¹ GMWC should have ensured that a request for withdrawal and substitution of counsel was made before any filings were made by Mr. Levie as its new counsel for the rate case docket. The filings made by Mr. Levie as counsel for GMWC could have been disregarded in the absence of such prior filing.

1 Copies of the foregoing emailed/mailed/delivered
2 this 5th day of February, 2013, to:

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